

COUNTY OF LOS ANGELES DEPARTMENT OF PUBLIC WORKS
PROCEDURES FOR ACCEPTANCE OF SECURITIES

Developers, permit applicants and/or contractors (hereafter referred to as Customers) may conduct business with the Department of Public Works (DPW) that requires the presentation of Securities (Letters of Credit, Certificates of Deposit, Time Deposits, or Passbook Savings Accounts) in lieu of cash deposits for performance bonds, or to guarantee the payment of future improvements as stipulated by contracts with the County, or to meet other requirements. Customers required to present Securities must obtain them from financial institutions that meet current County Treasurer and Tax Collector policies, "Minimum Criteria and Standards for Letters of Credit," or "Minimum Criteria and Standards for Certificates of Deposit" (included in this package), *as well as* the applicable Security requirements below.

Prior to executing and presenting a Security, Customers must request that their proposed financial institution be evaluated to determine whether it meets the Minimum Criteria and Standards cited above. Requests for approval need to be submitted on a Request for Approval of Financial Institution Form (included in this package) to DPW's Fiscal Division Securities Desk, located on the 7th Floor of the Headquarters Building, 900 South Fremont Avenue, Alhambra, California, 91803. All information on the Request for Approval Form must be completed. The Form will then be sent to the Treasurer and Tax Collector for financial institution review and approval.

Customers will be informed of approval or rejection by the DPW responsible division's representative. The approval expires after 30 days. Customers should allow at least five business days for review and approval processing to ensure that there will be no delay in the approval of any pending project or permit. If the proposed financial institution is rejected, Customers should contact the DPW Fiscal Division Securities Desk if assistance is needed in locating a financial institution that meets the minimum standards.

Once a financial institution is approved, Securities submitted must comply with provisions of the Minimum Criteria and Standards and the Security Requirements indicated below and be dated within 30 days of the financial institution approval date.

Security Requirements

Letters of Credit (LOC)

1. LOCs must meet current Treasurer and Tax Collector policy, "Minimum Criteria and Standards for Letters of Credit."
2. The LOC will not be accepted unless it is prepared using the format shown on the Required Format for Irrevocable Letter of Credit (included in this package).
3. The LOC must be automatically renewable without amendment for one year from the present or any future expiration date, unless at least 90 days prior to any expiration date, written notice of non-renewal is provided.

4. The Customer must maintain acceptable LOCs or other approved collateral throughout the term of the underlying project or performance agreement, including amendments or extensions.
5. DPW may request payment (drawdown of LOC) in the event of a default by the Customer as may be determined by DPW.
6. The events of default upon which the County may draw down on the LOC include:
 - a. When the Treasurer and Tax Collector determines at the LOC's maturity or expiration that the financial institution issuing the original LOC no longer meets the minimum criteria and standards set forth above: if the Customer has not replaced the original LOC with a new approved LOC or other acceptable collateral within 30 days of mailing of notification (to Customer's address last submitted to DPW).
 - b. Expiration of the original LOC prior to fulfillment of the underlying agreement and any related or contingent obligations, whichever comes first.
 - c. Any other event of default as stated in the underlying performance agreement by the Customer.
7. The Customer and the financial institution on which the LOC is drawn cannot be the same entity.

Certificates of Deposit, Time Deposits, and Passbook Savings Accounts (CDs)

1. CDs must meet current Treasurer and Tax Collector policy, "Minimum Criteria and Standards for Certificates of Deposit."
2. CDs must be held in the name of or pledged solely to the County of Los Angeles Department of Public Works.
3. The Customer may not withdraw the principal from the account, and the financial institution may not close the Security account without written authorization from the County of Los Angeles Department of Public Works.
4. CDs must be automatically renewable.
5. The Customer must maintain acceptable CDs or other approved collateral throughout the term of the underlying project or performance agreement, including amendments or extensions.
6. The events of default upon which the County may cash the CD include:
 - a. When the Treasurer and Tax Collector determines at the CD's maturity or expiration that the financial institution issuing the original CD no longer meets the minimum criteria and standards set forth above: if the Customer has not

replaced the original CD with a new approved CD or other acceptable collateral within 30 days of mailing of notification (to Customer's address last submitted to DPW).

- b. Expiration of the original CD prior to fulfillment of the underlying agreement and any related or contingent obligations, whichever comes first.
 - c. Any other event of default as stated in the underlying performance agreement by the Customer.
7. Notification of determination by DPW of a default under the performance agreement is sufficient to cash the CD or passbook. The Customer agrees to be held responsible for any penalties or loss of interest associated with the early withdrawal of the CD in the event of a default as determined by DPW. Written notice of DPW's determination of default shall be sent to the last submitted address of the Customer.
 8. Any interest on the CD that may be paid to DPW by the financial institution issuing the CD shall be paid to the Customer by DPW within 60 working days of Public Works' receipt.
 9. The Customer assumes all risk of lost principal and interest from the CD should the financial institution be declared insolvent or fall into default and fail to pay principal or interest. The Customer shall at such point provide adequate substitute collateral, or pay DPW amounts equal to such CD within 30 days of receipt of notice from DPW.
 10. The Customer is responsible for payment of any taxes due on interest paid on the principal.